

# ATTACHMENT A

# **SUBRECIPIENT / CONTRACTOR AUDITS**

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## **AUDIT CLAUSE D – CONTRACTOR**

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The Commonwealth of Pennsylvania, Department of Human Services (DHS), distributes federal and state funds to local governments, nonprofit, and for-profit organizations. Federal expenditures are subject to federal audit requirements, and federal funding and state funding passed through DHS are subject to DHS audit requirements. If any federal statute specifically prescribes policies or specific requirements that differ from the standards provided herein, the provisions of the subsequent statute shall govern.

**Contractor** means a dealer, distributor, merchant, or other seller providing goods or services to an auditee that are required for the **administrative support** of a program. These goods or services may be for an organization’s own use or for the use of beneficiaries of the federal program. The contractor’s responsibility is to meet the requirements of the procurement contract.

### **Department of Human Services Audit Requirement**

If in connection with the agreement, an entity **expends \$500,000 or more in combined state and federal funds** during the program year, the entity shall ensure that, for the term of the contract, an independent auditor conducts annual examinations of its compliance with the terms and conditions of this contract (compliance attestations). These examinations shall be conducted in accordance with the American Institute of Certified Public Accountants’ Statements on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification (SSAE 18), and shall be of a scope acceptable to the DHS. The initial compliance attestation shall be completed for the official annual reporting period of this agreement and conducted annually thereafter.

The Commonwealth reserves the right for state and federal agencies, or their authorized representatives, to perform financial and performance audits if deemed necessary. If it is decided that an audit of this contract will be performed, the contractor will be given advance notice. The contractor shall maintain books, records, and documents that support the services provided, that the fees earned are in accordance with the contract, and that the contractor has complied with contract terms and conditions. The contractor agrees to make available, upon reasonable notice, at the office of the contractor, during normal business hours, for the term of this contract and the retention period set forth in this Audit Clause, any of the books, records, and documents for inspection, audit, or reproduction by any state or federal agency or its authorized representative.

The contractor shall preserve all books, records, and documents related to this contract for a period of time that is the greater of five years from the contract expiration date, until all questioned costs or activities have been resolved to the satisfaction of the Commonwealth, or as required by applicable federal laws and regulations, whichever is longer. If this contract is completely or partially terminated, the records relating to the work terminated shall be preserved and made available for a period of five years from the date of any resulting final settlement.

Records that relate to litigation or the settlement of claims arising out of performance or expenditures under this contract to which exception has been taken by the auditors, shall be retained by the contractor or provided to the Commonwealth at the DHS’ option until such litigation, claim, or exceptions have reached final disposition.

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Except for documentary evidence delivered pursuant to litigation or the settlement of claims arising out of the performance of this contract, the contractor may, in fulfillment of his obligation to retain records as required by this Audit Clause, substitute photographs, microphotographs, or other authentic reproductions of such records, after the expiration of two years following the last day of the month of reimbursement to the contractor of the invoice or voucher to which such records relate, unless a shorter period is authorized by the Commonwealth

### **DHS Required Compliance Attestation Report Submission**

The contractor shall submit the compliance attestation report to the DHS within 90 days after the required period of audit has ended. When the compliance attestation report is other than unqualified, the contractor shall submit to the DHS, in addition to the report, a plan describing what actions the contractor will implement to correct the situation that caused the independent accountant to issue a qualified opinion, a timetable for implementing the planned corrective actions, and a process for monitoring compliance with the timetable.

Submit **two copies** of the compliance attestation reports directly to the contract manager.

### **REMEDIES FOR NONCOMPLIANCE**

The provider's failure to provide an acceptable compliance attestation, in accordance with the requirements of the Audit Clause Requirements, may result in the DHS' not accepting the report and initiating sanctions against the contractor that may include the following:

- Disallowing the cost of the compliance attestation.
- Withholding a percentage of the contract funding pending compliance.
- Suspending subsequent contract funding pending compliance.

### **TECHNICAL ASSISTANCE**

Technical assistance on the DHS' audit requirements will be provided by:

Department of Human Services  
Bureau of Financial Operations  
Division of Audit and Review  
Audit Resolution Section  
1st Floor, Forum Place  
555 Walnut Street  
P.O. Box 2675  
Harrisburg, Pennsylvania 17105-2675  
Email: [RA-pwauditresolution@pa.gov](mailto:RA-pwauditresolution@pa.gov)